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8 July 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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GENERAL

1. British insist on Japanese admission to COCOM: At a 4 July meeting with American representatives in London, British officials argued strongly for immediate admission of Japan to COCOM insisting that the United States' proposal to set up a separate Far Eastern controls organization to include Japan is impractical and undesirable.

The British officials indicated that Britain would under no circumstances discuss Hong Kong controls in an exclusively Far Eastern group, and that in the event of a Korean settlement they would strongly favor relaxing controls on trade with mainland China to the level maintained against the USSR and the Satellites.

The US Embassy in London states that unless Britain can be persuaded to accept the American position, particularly on the desirability of stricter controls in the Far East in the post-Korea period, the resultant open disagreement during forthcoming COCOM discussion of the Japanese request for admission will considerably reduce the chances for gaining the support of other COCOM members. (S London 73, 4 July 52)

Comment: Britain's position on this issue is in large part determined by its desire to protect the British economic position in South and Southeast Asia by deflecting Japanese competition toward mainland China.

2. Swiss firm reportedly trying to arrange large trans-shipment of Chilean copper to Orbit: According to [redacted]

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[redacted] the Swiss firm IMEXIS is trying to arrange the transshipment of 2,000 tons of Chilean copper to the Orbit through Spanish and Swiss intermediaries and the falsification of bills of lading. A Chilean export license for this copper has been approved on the basis of a written statement by the

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Spanish Ambassador to Chile that the copper was destined for the exclusive use of Spanish industry.

To protect the identity of the real purchasers, a Swiss businessman has been asked to participate in the financing of the deal. IMEXIS has pointed out to him that a similar 3,000-ton transaction was facilitated earlier with a bribe

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Comment: In early 1952, IMEXIS was believed to be promoting a number of Chilean copper deals, one of which involved a possible 10,500-ton shipment to Finland. A recent Chilean radio broadcast reports the local press is demanding the government investigate transshipments through Italy and Switzerland.

3. WPC to make a major effort to turn United States public opinion against rearmament: Speakers at the plenary session of the World Peace Council which met last week in Berlin hinted at an intensive campaign during the next few months to influence United States public opinion against rearmament. President Joliot-Curie declared that preparations for a Third World Peace Congress to be held in Vienna beginning 5 December would "organize" public opinion in such a manner as to make war impossible. The election period was mentioned by another speaker as an ideal time to approach US Congressmen, labor leaders, and other Americans.

The Council echoed Soviet proposals to the UN in demanding an official definition of aggression and a study of means to relieve world tension, and also repeated familiar Soviet propaganda points on Germany, Japan and germ warfare. A bold extension of the BW charges was made by a former Munich Town Councilor who claimed that Adenauer secretly asked for germ warfare equipment for West German troops. (Factual data from: R FBIS Berlin, 1-5 July 52)

EASTERN EUROPE

4. Hungarian Party Central Committee directed to return to militant communism: The Hungarian Party Central Committee at its meeting on 27-28 June heard Marton Horvath, Politburo member and editor of the party newspaper, demand a return to militant communism. Horvath, according to the US Legation in

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Budapest, forecast a sharper attack against the church, Social Democrats and kulaks. At the same meeting Minister of Defense Farkas, also a member of the Politburo, blamed the difficulties of the youth organization, Disz, on the church and other alien influences.

The American Legation interprets Horvath's remarks as a call for a turn to the left in the face of popular opposition, and for a resumption of collectivization after the harvest. It noted that party leader Rakosi's comments at the meeting went unreported. (S Budapest 10 and 11, 3 July 52)

Comment: The speeches of Horvath and Farkas probably forecast the party line in assessing blame for the current economic difficulties in Hungary. The Social Democrats, the church and the kulaks would provide useful scapegoats. The absence of any mention of Rakosi is interesting in view of repeated rumors that he is soon to be purged.

Disz has been a target of growing criticism since winter. A Soviet delegation made an investigation of its organization this spring. Subsequently there was a rumor that a principal leader of the organization had disappeared.

5. Hungarian deportations linked with current anti-clerical campaign: The deportation of two hundred families from Miskolc in northeastern Hungary to the Hortobagy prairie was confirmed by a western diplomatic source. The writs to the Security Police reportedly accused the families of rumor-mongering and excess of religion.

The US Legation in Budapest points out that the deportations serve the triple purpose of providing homes for party faithful, increasing the supply of forced labor, and weakening the influence of the church. (C Budapest 7, 4 July 52)

Comment: Deportations from Miskolc, a city in the interior, obviously are not explicable in terms of frontier defense requirements, like the previous deportations reported on the Yugoslav and Austrian borders. Deportations for religious reasons accord with the growing attack by the Hungarian Communist Party on the clergy, who are even accused of violation of the church-state agreement.

6. Poland expects better grain crop this year: Polish Politburo member Roman Zambrowski told the national convention of

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peasants correspondents on 29 June that the government expects grain crops to be better this year than last. This statement is substantiated by American Embassy reports that favorable weather conditions since 15 May will apparently bring a fair crop of grain sown last fall, and a very heavy stand of spring-sown grain. (R Warsaw 11, 3 July 52)

Comment: The prolonged drought last summer and autumn left insufficient subsoil moisture in many areas to withstand dry spells. The difficulty and uncertainty produced by this condition may now have been largely overcome by moisture acquired during the cool, wet period between 15 May and 1 July, which has been succeeded by warm and sunny weather.

7. Yugoslavs reported ready for military talks with Turks and Greeks: The Yugoslav Government is ready to engage in military talks with Turkey and presumably Greece, if those countries commit themselves to a strong defense of Thrace. The Turkish Foreign Minister says he was so informed during the last week in June by the Yugoslav Ambassador. The Foreign Minister stated that he was doing all in his power to impress Turkey's allies with the importance of defending Thrace. (S Ankara 29, 5 July 52)

Comment: A military planning agreement with Greece and Turkey would be of considerable advantage to Yugoslavia, but the Yugoslavs have not hitherto shown a willingness to begin such talks.

While Greece and Turkey want to provide for the defense of Thrace, a difficult military problem, the latter is proceeding cautiously, and obviously desires a NATO commitment promising additional sea and air support before it negotiates with Yugoslavia.

8. Belgrade to extend social security system to agricultural collectives: The American Embassy has learned that the Tito regime plans to provide social security coverage to members of peasant working cooperatives in the near future. Yugoslav officials point to this measure and the payment of rent on land contributed to collectives by individual members as positive measures designed to "eliminate peasant unrest" in the working cooperatives.

There is no indication that the social security plan will be extended to either private peasants or to members of the general type (producer) cooperatives. (R Belgrade Joint Weeka 27, 5 July 52)

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Comment: The planned extension of an additional inducement to collective members to remain in the socialized sector is doubtless a reaction to continued peasant opposition to the regime's agrarian policy and to collectivization in particular. The regime hopes, however, to alter this basic opposition by discriminating in favor of collectives by offering various subsidies and capital equipment, thus proving the more practical advantages of rural socialization even to the satisfaction of the "most conservative peasant."

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FAR EAST

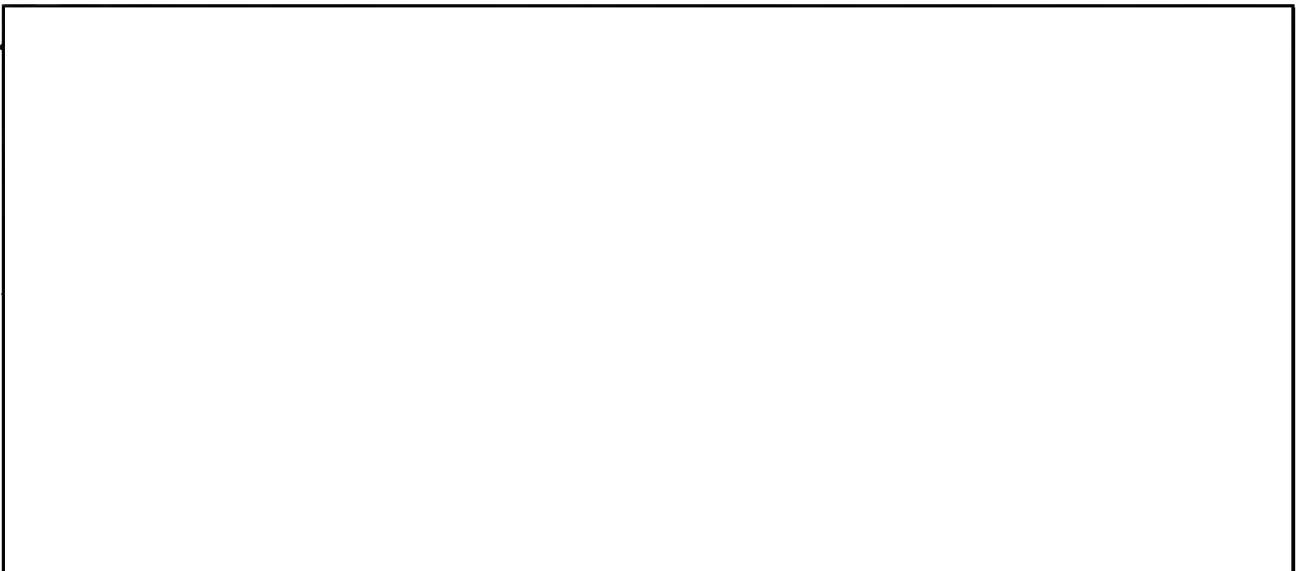
9. Resumption of Japanese-Korean negotiations probable:
The Japanese Foreign Office has advised Ambassador Murphy that arrangements are proceeding with the South Korean Mission in Tokyo for the resumption of Japanese-Korean discussions without the formality of a general conference.

The essence of the Japanese approach will be an insistence that the Koreans drop the package deal and settle the various problems separately.

Korean Minister Kim confirms that he expects to open conversations, probably on 17 July, to see "whether any problems can be settled separately." (S Tokyo 60, 3 July; C Tokyo 65, 5 July 52)

Comment: After reaching tentative agreement on such issues as nationality and the treatment of Koreans in Japan, the negotiators recessed in April unable to agree on their respective property claims. In the past, Korean negotiators have refused to consider the conclusion of anything less than a package deal.

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11. Inner Mongolian capital moved to Suiyuan: The Inner Mongolia Autonomous Government (IMAG) was moved on 1 July to Kueisui, Suiyuan Province, by order of the Chinese Communist

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Central People's Government in Peiping. (R FBIS ticker, Peiping, 4 July 52)

Comment: This is the second time that the seat of the IMAG, a Chinese Communist puppet regime, has been moved westward. Originally located at Wangyehmiao in western Manchuria, the Mongol capital was moved to Kalgan in Chahar Province in the spring of 1950. Neither Kalgan nor Kueisui is located within the boundaries of IMAG. Kalgan and Kueisui are the capitals of Chahar and Suiyuan Provinces which are both included in the North China District.

In line with Peiping's long-range policy for closer integration of Inner Mongolia with China proper, this move, like the previous one, was probably designed to bolster the influence of Yun Tse, IMAG's Chairman and a member of the Chinese Communist Central Committee. The Yun Tse clique, predominant in Inner Mongolian politics, consists largely of Suiyuan Mongols, and Yun Tse is concurrently a Vice Chairman of the Suiyuan Military and Administrative Committee. With the IMAG capital situated where his followers are strongest, Yun Tse's effectiveness among the Chinese-hating Mongols may be enhanced.

Also, the move may presage a cleanup of Prince Te Wang's guerrillas, based in the mountains north of Kueisui. These guerrillas have been able to create considerable disorder and they have embarrassed the Communists. In late 1951 and again in early 1952 Chinese Communist troops in Suiyuan reportedly mutinied and joined up with Te Wang's Mongol forces. The installation of pro-Communist Suiyuan Mongol leaders in Kueisui could facilitate the elimination of this chronic nuisance.

- 25X1 12. Moslem revolt in northwestern China reported: Two [redacted] China's northwestern Kansu Province report that 10,000 Moslems rebelled about two months ago. The uprising was crushed in approximately four weeks.

25X1 The American Consulate General reports that according [redacted] the rebels are merely inactive now, and were not completely defeated by the Chinese Communists. (S Hong Kong 16, 4 July 52)

Comment: This is the first confirmation of previous reports in the Hong Kong press that there is unrest among the Moslems of northwestern China. [redacted]

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25X1 [redacted] south of where the rebellion purportedly took place.

The difficult terrain of northwestern China is favorable for guerrilla operations. This area, however, is almost inaccessible, and insurgents could expect little or no outside assistance.

13. Thai armed forces alerts reportedly still in effect:
The American Embassy in Bangkok has been reliably informed that the Thai police alert, called to deal with an anticipated Chinese demonstration, was cancelled on 27 June by Police Director General Phao but that the armed forces alerts are still in effect.

The Embassy comments that the apparent lack of coordination between the Defense Ministry and the police indicates that the armed forces alerts were called independently and for different reasons than the police alert. (C Bangkok 18, 3 July 52)

Comment: Premier Phibun previously had appointed an "emergency Staff headquarters," headed by Phao's chief rival, Deputy Commander in Chief General Sarit, to control the armed forces and the police during the alert period.

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[redacted]

14. Junior officers in Thailand transferred to provinces:
The American Embassy in Bangkok reports that 24 Thai army officers, ranking from captain to colonel, have been transferred from Bangkok garrisons to provincial posts.

The Embassy comments that Deputy Commander in Chief General Sarit is attempting by means of the transfers to remove distrusted officers from the Bangkok political scene. (C Bangkok 18, 3 July 52)

Comment: There have been several recent reports that disaffected Thai junior officers have been conspiring to overthrow the present government.

On the other hand, Sarit may be "purging" supporters of his rival, General Phao.

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15. Thai Government takes firm stand with Parliament: The American Embassy in Bangkok reports that the Thai Government has responded to restiveness among elected members of the legislature by publicly threatening reprisals against MP's who obstruct the passage of government-sponsored bills or talk too much.

At the same time, the Minister of Interior broke an earlier government promise to sponsor a bill legalizing political parties by stating that he would oppose any such legislation on the grounds that it was unnecessary. The Embassy anticipates considerable parliamentary agitation as a result of the Interior Minister's statement. (C Bangkok 18, 3 July 52)

Comment: Although the government ostensibly enjoys the support of the overwhelming majority of both appointed and elected Members of Parliament, there have been other recent indications of unrest among the elected members and the ruling oligarchy may have difficulty in maintaining a solid pro-government bloc.

16. Leaders in Thailand absent from American Embassy 4th July reception: The leading members of the dominant Thai military clique, including Premier Phibun and Generals Phao and Sarit, did not attend the 4th of July reception given by the American Embassy in Bangkok. The clique was represented only by the relatively unimportant commander in chief of the Thai Navy and his chief of staff. (C Bangkok 31, 5 July 52)

Comment: The leaders of the ruling group, who frequently attended Embassy functions in the past, have become increasingly cool toward official American personnel in Thailand.

There have been other recent indications that Thai leaders have become less enthusiastic over Thailand's strongly anti-communist, pro-American orientation.

17. Burmese seeking to repatriate Chinese Nationalists: An official of the Burmese Foreign Office informed the US Embassy in Rangoon that Defense Minister Ba Swe, while expecting that insurgency in Burma will be largely eliminated by fall, fears that public pressure will then force him to attack the Chinese Nationalists in Kengtung. Ba Swe says he is anxious to avoid such action and is willing to repatriate the Nationalist troops through Rangoon.

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The Foreign Office official asked for American aid in arranging a mission to Formosa to discuss the matter. (S Rangoon Weeka 27, 6 July 52)

Comment: While the Burmese armed forces have recently achieved some local successes against the insurgent Communists, there are no indications of a victory by the end of this summer.

The Burmese Government has rejected all previous proposals to repatriate the Chinese Nationalists. Reversal of this policy probably resulted from a realization that a major offensive against the Nationalists in Kengtung to assuage public opinion would leave the way open for successful insurgent operations in central Burma.

NEAR EAST - AFRICA

18. New oil field reported near Tehran: The American in charge of the oil drilling operations of the Iranian Oil Company at Qum in north-central Iran, ninety miles south of Tehran, reports that his drillers struck what appears to be a sizeable deposit of oil on 2 July. He says that all signs indicate that the strike is in or close to new oil fields, the extent of which cannot yet be determined. (S Tehran 38, 3 July 52)

Comment: Discovery of oil by the Iranian Oil Company would furnish Prime Minister Mossadeq with a lever in his dispute with the Anglo-Iranian Oil Company.

Because of Qum's location, such a discovery would certainly interest the Russians, both as a possible future source of oil and as a means of penetrating the Iranian economy.

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WESTERN EUROPE

19. Plans for stepped-up Sovietization of East Germany partially confirmed: The Socialist Unity Party congress, scheduled for 9 to 12 July, reportedly will move to introduce the Kolkhoz system in agriculture, to begin a new party purge, and to replace the five state governments with 14 new districts.

Party leaders allegedly plan also to approve the "eventual" resignation of East German Premier Otto Grotewohl, probably on grounds of ill health. (S Berlin 24, 4 July 52)

Comment: Party leaders had earlier been reported to be planning action at the July congress to strengthen their control over East Germany. Gradual curtailment of the functions and authority of the state governments has already begun, and American observers in Frankfurt believe these governments may ultimately be eliminated. This, however, is not expected to occur before the ratification of the Allied-West German contractual agreement.

The probable eclipse of Grotewohl, ostensibly on grounds of ill health, has been previously predicted.

20. East German Parliament reportedly to approve universal military training: [] report that the East German Parliament will meet secretly from 8 to 10 July to adopt a law for universal military training.

Effective 11 July the boundaries of the western sectors of Berlin reportedly will be treated as national borders and "hermetically sealed." []

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Comment: Other sources report that the Socialist Unity Party congress, ending on 12 July, will announce the new plans for conscription.

[] reports indicate that in mid-June the Soviet Control Commission was considering a policy of reducing contact between East and West Berlin, and a start appears to have been made last week toward creating a security zone around Berlin.

21. Swiss offer East German Government de facto recognition: Switzerland has offered the East German Government de facto recognition, through the exchange of trade missions, instead of the

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formal recognition it demands in return for concessions on nationalized Swiss property. The Swiss have assured Britain they will not grant de jure recognition.

France intends to support American protests against any such action, but the British Foreign Office states it will take no action as long as Switzerland withholds full recognition. (S London 48, 5 July 52; C Paris 128, 5 July 52; C Berlin 7, 1 July 52)

Comment: East Germany will probably accept the de facto recognition, which would be a substantial political victory, since no other Western nation has yet made even this concession. Switzerland exchanged Ministers with the West German Federal Republic earlier this year.

22. France denies plans for shipment of steel rails to East Germany: The French Foreign Office has denied reports that East Germany is purchasing 80,000 tons of steel rails from the Schneider-Creusot company. This company, it states, does not manufacture rails and has negotiated for neither direct nor indirect delivery of rails to the German Democratic Republic.

The Foreign Office knows of no such negotiations by any French company, and states that it is "fully cognizant" of its obligation to consult COCOM before granting an export license for such material. (S Paris 91, 3 July 52; S Bonn 29, 3 July 52)

Comment: [] were the source of the original report that such a shipment of rails was planned. 25X1

23. Pinay considered not hostile to EDC: Reporting that Premier Pinay seems glad to accept the support of both the advocates and the opponents of the European Defense Community treaty in the government's drive for creation of a European political authority, the American Embassy in Paris rejects rumors that he is secretly bent on sabotaging the treaty. The Embassy considers that his recent overtures to the pro-government Gaullists, who hope that political integration will postpone or even defeat the defense treaty, were merely intended to promote a split in De Gaulle's party. It believes that Pinay is refraining from public endorsement of the treaty in order to be sure that a battle over ratification must be joined and can be won.

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The government's proposal that the prospective coal-steel pool assembly work out a plan for a European political authority was designed to improve the government's position before such a battle is entered. (C Paris 108, 4 July 52)

24. Austria again proposes taking treaty issue to the UN:
Austrian Foreign Minister Gruber has urged American officials that serious consideration be given to raising the issue of the Austrian state treaty in the UN General Assembly this autumn. Gruber said he planned to discuss the problem with the Turks and Egyptians, and might perhaps visit several South American countries later this summer to attempt to enlist their support. His idea is that one or more of the smaller powers might place the treaty question on the General Assembly's agenda, with the view merely of obtaining a resolution urging that the occupation be ended and a treaty concluded at an early date.

The American officials reminded Gruber that one of the reasons why the United States had opposed such action last year was that the new abbreviated treaty proposal had not been submitted to Moscow. They said that the case might now be re-examined. It was agreed that Gruber would raise the problem with Britain and France so that they would be prepared for discussions with the United States. (C Vienna 22, 2 July 52)

25. Proposed Dutch shipbuilding for USSR receives generally unfavorable COCOM response: The Danish delegate is the only COCOM representative agreeing with the Dutch argument that the Netherlands would receive "highly important goods" from the USSR in exchange for four cargo ships, and that the only alternative to such a transaction is a cessation of Dutch-USSR trade. Both the French and the British delegates strongly oppose the transaction unless substantial changes are made in the speed, range and equipment of the vessels. France, however, will drop its objections if the Netherlands concludes that export of the ships is the only solution to its difficult trade situation with the USSR.

The Belgian delegate states that approval of the Dutch transaction would probably make it impossible for Belgium to refuse a similar Soviet offer. The American COCOM delegate thinks that the Netherlands may revise the ships' specifications to secure at least partial COCOM approval of the exchange. (S Paris 127, 5 July 52)

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Comment: Denmark may have supported the Dutch presentation in the hope of securing like support, should the question of its release of a tanker to the USSR receive COCOM consideration.

Dutch Government officials have previously stated that the ships are not of strategic importance and that, under its agreement with COCOM, the Netherlands is not bound to embargo vessels in this category.

26. Swiss firm reportedly willing to sell Czechs strategic equipment for weapons research: Buehrle & Co., a Swiss firm, is reportedly willing to sell Czechoslovakia two complete electronic ballistic measuring instruments for guns up to 37-mm, at a total price of 89,500 Swiss francs. The company will fill this order, as well as others for expensive equipment, if the Czechs will allow Emile Buehrle, the company's owner, to reopen the company's subsidiary which has been nationalized in Czechoslovakia. [REDACTED]

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Comment: There have been numerous reports that Buehrle, a highly successful and opportunistic Swiss industrialist, is shipping strategic equipment to the Orbit. None of these reports has been confirmed. He would, however, be free to ship some strategic items to the Orbit without violating Swiss export regulations.

The instruments ordered by the Czechs would be an important contribution to their capabilities for weapons research.

LATIN AMERICA

27. Policy of eliminating Communist influence from schools may cause trouble in Panama: Ambassador Wiley was reliably informed that six professors have been dismissed in line with President-elect Remon's policy of eliminating Communist influence from the University and other schools in Panama. The Ambassador comments that this action will precipitate a tense situation and test the capacity of the government to take strong measures. (C Panama City 8, 3 July 52)

Comment: The government is believed to have strong evidence linking certain faculty members to Communist-inspired agitation among Panamanian student groups. The dismissal of these professors is likely to cause a strong reaction in the non-Communist Students' Federation, though the strong policy now adopted by the the government may tend to discourage a general student strike.

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WESTERN EUROPE

1. Britain opposes newest plan for European federation:
Commenting on the French proposal that the Schuman Plan countries create a supranational political authority, a British Foreign Office official stated that, while Britain would have to assent to the development of a "new power" across the channel, acceptance of a European federation would be a reversal of traditional British policy.

Great Britain intends to comment that such a development is premature and to urge the acceptance of Foreign Secretary Eden's plan for bringing supranational institutions within the "loose" framework of the Council of Europe. (S S/S London 77, 5 July 52)

Comment: Although France desires British participation in European unity plans, Foreign Minister Schuman has evidently decided to restrict the task of establishing a political authority to the Schuman Plan countries. In this way France would block discussion of the participation of other countries in the coal-steel and defense communities and avoid delaying the implementation of these two bodies.

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